

Auditing Procedures Report V1.04

Reset Form

Email

Issued under Public Act 2 of 1968, as amended.

Unit Name Colfax Township	County HURON	Type TOWNSHIP	MuniCode 32-1-060
Opinion Date-Use Calendar Jun 25, 2008	Audit Submitted-Use Calendar Aug 7, 2008	Fiscal Year-Use Drop List	2008

If a local unit of government (authorities & commissions included) is operating within the boundaries of the audited entity and is NOT included in this or any other audit report, nor do they obtain a stand-alone audit, enclose the name(s), address(es), and a description(s) of the authority and/or commission.

Place a check next to each "Yes" or non-applicable question below. Questions left unmarked should be those you wish to answer "No".

<input checked="" type="checkbox"/>	1. Are all required component units/funds/agencies of the local unit included in the financial statements and/or disclosed in the reporting entity notes to the financial statements?
<input checked="" type="checkbox"/>	2. Does the local unit have a positive fund balance in all of its unreserved fund balances/unrestricted net assets?
<input type="checkbox"/>	3. Were the local unit's actual expenditures within the amounts authorized in the budget?
<input checked="" type="checkbox"/>	4. Is this unit in compliance with the Uniform Chart of Accounts issued by the Department of Treasury?
<input checked="" type="checkbox"/>	5. Did the local unit adopt a budget for all required funds?
<input checked="" type="checkbox"/>	6. Was a public hearing on the budget held in accordance with State statute?
<input checked="" type="checkbox"/>	7. Is the local unit in compliance with the Revised Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, and other guidance as issued by the Local Audit and Finance Division?
<input checked="" type="checkbox"/>	8. Has the local unit distributed tax revenues, that were collected for another taxing unit, timely as required by the general property tax act?
<input checked="" type="checkbox"/>	9. Do all deposits/investments comply with statutory requirements including the adoption of an investment policy?
<input checked="" type="checkbox"/>	10. Is the local unit free of illegal or unauthorized expenditures that came to your attention as defined in the Bulletin for Audits of Local Units of Government in Michigan, as revised (see Appendix H of Bulletin.)
<input checked="" type="checkbox"/>	11. Is the unit free of any indications of fraud or illegal acts that came to your attention during the course of audit that have not been previously communicated to the Local Audit and Finance Division? (If there is such activity, please submit a separate report under separate cover.)
<input checked="" type="checkbox"/>	12. Is the local unit free of repeated reported deficiencies from previous years?
<input type="checkbox"/>	13. Is the audit opinion unqualified? 14. If not, what type of opinion is it? <u>Qualified</u>
<input checked="" type="checkbox"/>	15. Has the local unit complied with GASB 34 and other generally accepted accounting principles (GAAP)?
<input checked="" type="checkbox"/>	16. Has the board or council approved all disbursements prior to payment as required by charter or statute?
<input checked="" type="checkbox"/>	17. To your knowledge, were the bank reconciliations that were reviewed performed timely?
<input checked="" type="checkbox"/>	18. Are there reported deficiencies? <input checked="" type="checkbox"/> 19. If so, was it attached to the audit report?

General Fund Revenue:	\$ 408,810.00
General Fund Expenditure:	\$ 220,846.00
Major Fund Deficit Amount:	\$ 0.00

General Fund Balance:	\$ 696,556.00
Governmental Activities Long-Term Debt (see instructions):	\$ 154,000.00

We affirm that we are certified public accountants (CPA) licensed to practice in Michigan. We further affirm the above responses have been disclosed in the financial statements, including the notes, or in the Management Letter (Reported deviations).

CPA (First Name) Douglas	Last Name Brining	Ten Digit License Number 1101008283		
CPA Street Address 64 Westland Drive	City Bad Axe	State MI	Zip Code 48413	Telephone +1 (989) 269-9909
CPA Firm Name Brining & Nartker, P.C.	Unit's Street Address 177 N. Barrie Road	City Bad Axe	LU Zip 48413	

**TOWNSHIP OF COLFAX
HURON COUNTY, MICHIGAN**

**FINANCIAL REPORT
MARCH 31, 2008**

TOWNSHIP OF COLFAX

TABLE OF CONTENTS

	<u>PAGE NUMBER</u>
INDEPENDENT AUDITORS' REPORT	1
<u>BASIC FINANCIAL STATEMENTS</u>	
GOVERNMENT-WIDE FINANCIAL STATEMENTS:	
Statement of Net Assets	2
Statement of Activities	3
FUND FINANCIAL STATEMENTS:	
Balance Sheet – Governmental Funds	4
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds	5
Statement of Fiduciary Net Assets – Agency Fund	6
NOTES TO THE FINANCIAL STATEMENTS	7 - 12
<u>REQUIRED SUPPLEMENTARY INFORMATION</u>	
BUDGETARY COMPARISON SCHEDULES:	
General Fund	13 - 14
Cemetery Fund	15
Road Maintenance Fund	16
Perpetual Care Fund	17
<u>ADDITIONAL INFORMATION</u>	
Combining Balance Sheet – Nonmajor Governmental Funds	18
Combining Statement of Revenues, Expenditures, and Changes in Fund Balance – Nonmajor Governmental Funds	19
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – Nonmajor Governmental Fund – Liquor Control Fund	20
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – Nonmajor Governmental Fund – Lagoon Fund	21
Statement of Changes in Assets and Liabilities – Current Tax Collection Fund	22
Schedule of Bonded Indebtedness – Issue Dated May 1, 1998	23

BRINING & NARTKER, P.C.

Certified Public Accountants

DOUGLAS P. BRINING, CPA
JOSEPH H. NARTKER, CPA

MARK W. BRINING, CPA
SARA J. ESSENMACHER, CPA
JOY A. KERR, CPA
EDWARD J. MOORE, CPA

Members of
Michigan Association of
Certified Public Accountants

American Institute of
Certified Public Accountants

INDEPENDENT AUDITORS' REPORT

To the Township Board
Township of Colfax
Huron County, Michigan

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Township of Colfax, Huron County, Michigan, as of and for the year ended March 31, 2008, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the management of the Township of Colfax, Huron County, Michigan. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

Management has not prepared their discussion and analysis information for the Township of Colfax, Huron County, Michigan. This discussion is required by U.S. generally accepted accounting principles as supplemental information.

In our opinion, except for the omission of management's discussion and analysis as discussed in the previous paragraph, which results in an incomplete presentation, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of the Township of Colfax, Huron County, Michigan as of March 31, 2008, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The budgetary comparison information on pages 13 through 18 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Township of Colfax, Huron County, Michigan's basic financial statements. The accompanying additional information, as identified in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements. The additional information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.


BRINING & NARTKER, P.C.
Certified Public Accountants

June 25, 2008

BASIC FINANCIAL STATEMENTS

**TOWNSHIP OF COLFAX
STATEMENT OF NET ASSETS
MARCH 31, 2008**

**GOVERNMENTAL
ACTIVITIES**

ASSETS:

Current assets:

Cash	\$ 1,390,899
Taxes receivable	20,868
Special assessments receivable	15,375
Capital assets - net of accumulated depreciation	393,533

TOTAL ASSETS	<u>1,820,675</u>
---------------------	-------------------------

LIABILITIES:

Current liabilities:

Accounts payable	1,298
Current maturities of long-term debt	30,545

Noncurrent liabilities:

Noncurrent portion of long-term debt	123,455
Deferred revenue	15,375

TOTAL LIABILITIES	<u>170,673</u>
--------------------------	-----------------------

NET ASSETS:

Investment in capital fixed assets net of related debt	239,533
Restricted:	
Nonexpendable	151,559
Unrestricted	1,258,910

TOTAL NET ASSETS	<u>\$ 1,650,002</u>
-------------------------	----------------------------

The accompanying notes are an integral part of the financial statements.

**TOWNSHIP OF COLFAX
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED MARCH 31, 2008**

		PROGRAM REVENUES			NET (EXPENSE)
	<u>EXPENSES</u>	<u>CHARGES FOR SERVICES</u>	<u>CAPITAL GRANTS AND CONTRIBUTIONS</u>	<u>OPERATING GRANTS AND CONTRIBUTIONS</u>	<u>REVENUE AND CHANGES IN NET ASSETS</u>
FUNCTIONS:					
Governmental Activities					
Legislative	\$ 2,461	\$ -	\$ -	\$ -	\$ (2,461)
General government	223,130	74,060	-	1,075	(147,995)
Public safety	88,492	-	-	754	(87,738)
Public works	257,807	-	34,250	-	(223,557)
Recreation and culture	188	-	-	-	(188)
Total Governmental Activities	<u>\$ 572,078</u>	<u>\$ 74,060</u>	<u>\$ 34,250</u>	<u>\$ 1,829</u>	<u>(461,939)</u>
GENERAL REVENUES:					
Property taxes					343,191
State sources					140,242
Investment earnings					49,664
Miscellaneous					46,654
TOTAL GENERAL REVENUES					<u>579,751</u>
CHANGE IN NET ASSETS					<u>117,812</u>
NET ASSETS - APRIL 1, 2007					1,532,190
NET ASSETS - MARCH 31, 2008					<u>\$ 1,650,002</u>

The accompanying notes are an integral part of the financial statements.

**TOWNSHIP OF COLFAX
BALANCE SHEET
GOVERNMENTAL FUNDS
MARCH 31, 2008**

	MAJOR FUNDS				OTHER NONMAJOR GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
	GENERAL FUND	CEMETERY FUND	ROAD MAINTENANCE FUND	PERPETUAL CARE FUND		
ASSETS						
Cash and investments	\$ 683,069	\$ 42,614	\$ 408,112	\$ 151,559	\$ 105,545	\$ 1,390,899
Taxes receivable	12,498	-	7,614	-	756	20,868
Due from other funds	1,469	-	-	-	-	1,469
TOTAL ASSETS	\$ 697,036	\$ 42,614	\$ 415,726	\$ 151,559	\$ 106,301	\$ 1,413,236
LIABILITIES AND FUND BALANCES						
LIABILITIES:						
Accounts payable	\$ 480	\$ 809	\$ -	\$ -	\$ 9	\$ 1,298
Due to other funds	-	-	1,469	-	-	1,469
TOTAL LIABILITIES	480	809	1,469	-	9	2,767
FUND BALANCE:						
Unreserved	696,556	41,805	414,257	151,559	106,292	1,410,469
TOTAL LIABILITIES AND FUND BALANCES	\$ 697,036	\$ 42,614	\$ 415,726	\$ 151,559	\$ 106,301	\$ 1,413,236

**RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO
NET ASSETS OF GOVERNMENTAL ACTIVITIES**

Total governmental fund balances	\$ 1,410,469
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds.	393,533
Long-term liabilities are not due and payable in the current period and therefore are not reported as liabilities in the funds.	(154,000)
Net assets of governmental activities	\$ 1,650,002

The accompanying notes are an integral part of the financial statements.

**TOWNSHIP OF COLFAX
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED MARCH 31, 2008**

	MAJOR FUNDS				OTHER NONMAJOR GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
	GENERAL FUND	CEMETERY FUND	ROAD MAINTENANCE FUND	PERPETUAL CARE FUND		
REVENUES:						
Taxes	\$ 215,986	\$ -	\$ 127,205	\$ -	\$ -	\$ 343,191
Licenses and permits	1,075	-	-	-	-	1,075
Intergovernmental	140,242	-	-	-	-	140,242
Charges for services	-	74,044	-	16	-	74,060
Interest	29,924	608	10,387	6,966	1,779	49,664
Assessments	-	-	-	-	34,250	34,250
Other	21,583	21,615	3,455	-	754	47,407
TOTAL REVENUES	408,810	96,267	141,047	6,982	36,783	689,889
EXPENDITURES:						
Current:						
Legislative	2,461	-	-	-	-	2,461
General government	99,111	-	-	-	-	99,111
Public safety	86,945	-	-	-	1,547	88,492
Public works	32,141	-	228,825	-	8,776	269,742
Recreation and culture	188	-	-	-	-	188
Cemetery	-	105,175	-	-	-	105,175
Debt service	-	-	-	-	16,625	16,625
TOTAL EXPENDITURES	220,846	105,175	228,825	-	26,948	581,794
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	187,964	(8,908)	(87,778)	6,982	9,835	108,095
OTHER FINANCING SOURCES (USES):						
Operating transfers in	-	27,966	250,000	-	1,000	278,966
Operating transfers out	(272,000)	-	-	(6,966)	-	(278,966)
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	(84,036)	19,058	162,222	16	10,835	108,095
FUND BALANCE - APRIL 1, 2007	780,592	22,747	252,035	151,543	95,457	1,302,374
FUND BALANCE - MARCH 31, 2008	<u>\$ 696,556</u>	<u>\$ 41,805</u>	<u>\$ 414,257</u>	<u>\$ 151,559</u>	<u>\$ 106,292</u>	<u>\$ 1,410,469</u>

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES**

Total net change in fund balances - governmental funds \$ 108,095

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, these costs are allocated over their estimated useful lives as depreciation expense. In the current period these amounts are:

Capital outlay	-
Depreciation	(24,774)

Repayment of loans is an expenditure in governmental funds but reduces long-term liabilities in the statement of net assets.

34,491

Change in net assets of governmental activities.

\$ 117,812

The accompanying notes are an integral part of the financial statements.

TOWNSHIP OF COLFAX
STATEMENT OF FIDUCIARY NET ASSETS
AGENCY FUND
MARCH 31, 2008

<u>ASSETS</u>	
Cash	\$ 6,297
TOTAL ASSETS	<u>6,297</u>
<u>LIABILITIES</u>	
Due to other funds	6,297
TOTAL LIABILITIES	<u>6,297</u>
NET ASSETS	<u>\$ -</u>

**TOWNSHIP OF COLFAX
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2008**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The accounting policies of the Township of Colfax conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies used by the Township.

Reporting Entity:

The Township is located in Huron County, Michigan and has approximately 1,950 residents. The Township is governed by a five person elected board and provides roads, fire protection, cemetery maintenance services and ambulance services for its residents.

In accordance with the provisions of the Governmental Accounting Standards Board (GASB) Statement No. 14 as amended by GASB 39, the definition of the reporting entity is based primarily on the premise of financial accountability. The Township is a primary government and is financially accountable for the organizations that make up its legal entity. It is also financially accountable for legally separate organizations if its officials appoint a voting majority of an organization's governing body and either it is able to impose its will on that organization or there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the primary government. A primary government may also be financially accountable for governmental organizations that are fiscally dependent on it. These types of organizations are deemed component units.

Based on these provisions, there are no organizations that are deemed to be component units of the Township.

Accounting Estimates:

The process of preparing financial statements in conformity with U.S. generally accepted accounting principles requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues and expenditures. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

Government-Wide and Fund Financial Statements:

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the Township. For the most part, the effect of the interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenue.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting and Financial Statement Presentation:

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

(Continued)

**TOWNSHIP OF COLFAX
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2008
(CONTINUED)**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Those revenues susceptible to accrual are property taxes, licenses and interest revenue. All other revenue items are not susceptible to accrual because generally they are not measurable until received in cash. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures are recorded only when payment is due.

The Township reports the following major governmental funds:

The General Fund is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The Cemetery Fund accounts for revenues from cemetery lot sales and grave openings and closings. The costs of operating the cemetery are also charged to this fund.

The Road Maintenance Fund is used to account for property taxes allocated to provide for the maintenance of roads.

The Perpetual Care Fund is used to invest amounts received from perpetual care charges, the earnings of which are used for cemetery maintenance purposes.

The Township reports the Liquor Control Fund and the Lagoon Fund as nonmajor funds.

Additionally, the Township reports the following fund types:

The Agency Fund accounts for assets held by the Township in a trustee capacity or as an agent for individuals, organizations, and other governments.

Property Taxes:

Properties are assessed as of December 31, and the related property taxes become a lien on December 1 of the following year. These taxes are due on February 14 with the final collection date of February 28 before they are added to the County tax roll. The delinquent real property taxes of the Township are purchased by the County of Huron. The County sells tax notes, the proceeds of which are used to pay the Township for these property taxes. These taxes have been recorded as revenue for the current year. Delinquent personal property taxes are not paid by the County revolving tax fund and will be remitted to the Township as collection occurs.

Capital Assets:

Capital assets, which include buildings, the lagoon, and equipment, are reported in the governmental activities column in the government-wide statement of net assets. Capital assets are defined by the Township as assets with an initial cost of \$1,000 or more and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Capital assets are being depreciated using the straight-line method over the following useful lives:

Buildings	20 to 50 years
Lagoon	40 years
Equipment	5 to 15 years
Drains	30 years

(Continued)

**TOWNSHIP OF COLFAX
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2008
(CONTINUED)**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

Restricted Net Assets:

Restricted net assets represents cash received from cemetery perpetual care that is to be invested, the earnings of which are to be used for maintenance of the Township cemetery.

Budgets:

Annual budgets are approved prior to the beginning of the fiscal year and are adopted on a basis consistent with U.S. generally accepted accounting principles for all governmental funds. All annual appropriations lapse at year end. The Township does not utilize encumbrance accounting.

NOTE 2 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY – BUDGET VIOLATIONS:

P.A. 621 of 1978, section 18 (1), as amended, provides that a local unit shall not incur expenditures in excess of the amount appropriated. The legal level of budgetary control adopted by the governing body is the line item level.

During the year ended March 31, 2008, the Township incurred expenditures in certain budgetary funds which were in excess of the amount appropriated, as follows:

	<u>AMOUNT APPROPRIATED</u>	<u>AMOUNT OF EXPENDITURES</u>	<u>BUDGET VARIANCE</u>
General Fund:			
Building maintenance	\$ 2,500	\$ 3,277	\$ 777
Cemetery Fund:			
Payroll taxes	\$ 6,500	\$ 6,569	\$ 69
Health insurance	\$ 30,000	\$ 30,995	\$ 995
Maintenance	\$ 3,200	\$ 3,666	\$ 466
Refunds	\$ 200	\$ 243	\$ 43
Road Fund:			
Refunds	\$ -	\$ 8,853	\$ 8,853
Perpetual Care Fund:			
Operating transfers out	\$ 3,700	\$ 6,966	\$ 3,266
Liquor Fund:			
Salaries	\$ 1,000	\$ 1,440	\$ 440
Payroll taxes	\$ 100	\$ 107	\$ 7
Lagoon Fund:			
Outside labor	\$ 4,500	\$ 4,550	\$ 50
Miscellaneous	\$ 200	\$ 400	\$ 200

TOWNSHIP OF COLFAX
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2008
(CONTINUED)

NOTE 3 - DEPOSITS AND INVESTMENTS:

Michigan Compiled Laws, Section 129.91 (Public Act 20 of 1943, as amended), authorizes a local governmental unit to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations which have an office in Michigan. The local unit is allowed to invest in bonds, securities and other direct obligations of the United States or any agency or instrumentality of the United States; repurchase agreements; bankers' acceptance of United States banks; commercial paper rated within the two highest classifications which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions which are rated as investment grade; and mutual funds composed of investment vehicles that are legal for direct investment by local units of government in Michigan. The Township's deposits are in accordance with statutory authority and the Township has no investments as of March 31, 2008.

Custodial Credit Risk of Bank Deposits:

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The Township's investment policy does not directly address a deposit policy for custodial credit risk. At year end, the Township had \$960,969 of bank deposits (certificates of deposit, checking, and savings accounts) that were uninsured and uncollateralized. The Township believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all deposits. As a result, the Township evaluates each financial institution with which it deposits funds and assesses the level of risk of each institution. Only those institutions with an acceptable estimated risk level are used as depositories.

NOTE 4 – CAPITAL ASSETS:

Capital asset activity for the current year was as follows:

	BALANCE APRIL 1, <u>2007</u>	<u>INCREASES</u>	<u>DECREASES</u>	BALANCE MARCH 31, <u>2008</u>
Capital Assets Not Being Depreciated				
Land	\$ 5,000	\$ -	\$ -	\$ 5,000
Capital Assets Being Depreciated				
Buildings	135,124	-	-	135,124
Lagoon	197,325	-	-	197,325
Drains	137,025	7,383	-	144,408
Equipment	270,736	-	-	270,736
	<u>740,210</u>	<u>7,383</u>	<u>-</u>	<u>747,593</u>
Less: Accumulated Depreciation				
Buildings	62,303	3,073	-	65,376
Lagoon	80,724	4,933	-	85,657
Drains	1,523	4,547	-	6,070
Equipment	189,736	12,221	-	201,957
	<u>334,286</u>	<u>24,774</u>	<u>-</u>	<u>359,060</u>
Total Capital Assets Being Depreciated - Net	<u>405,924</u>	<u>(17,391)</u>	<u>-</u>	<u>388,533</u>
Governmental Activity Capital Assets - Net	<u>\$ 410,924</u>	<u>\$ (17,391)</u>	<u>\$ -</u>	<u>\$ 393,533</u>

(Continued)

**TOWNSHIP OF COLFAX
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2008
(CONTINUED)**

NOTE 4 – CAPITAL ASSETS: (Continued)

Depreciation expense was charged to programs of the Township as follows:

General Government	\$	18,844
Public Works		5,930
		<u>\$ 24,774</u>

NOTE 5 – INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS:

The composition of interfund balances in the fund-level financial statements is as follows:

	<u>RECEIVABLE</u>	<u>PAYABLE</u>
General Fund:		
Road Fund	\$ 1,469	\$ -
Tax Fund	6,297	-
	<u>\$ 7,766</u>	<u>\$ -</u>
Road Fund:		
General Fund	<u>\$ -</u>	<u>\$ 1,469</u>
Tax Fund:		
General Fund	<u>\$ -</u>	<u>\$ 6,297</u>

The receivable from the Road Fund results from a time lag between when the expenditure was incurred and the transfer made. The Tax Fund owes the General Fund for interest earned and not transferred.

Interfund transfers for the year ended March 31, 2008 consisted of the following:

<u>FUND TRANSFERRED FROM</u>	<u>FUND TRANSFERRED TO</u>	<u>AMOUNT</u>
General Fund	Cemetery Fund	\$ 21,000
	Liquor Fund	1,000
	Road Fund	250,000
		<u>\$ 272,000</u>
Perpetual Care Fund	Cemetery Fund	<u>\$ 6,966</u>

The transfers from the General Fund to the Cemetery, Liquor and Road Funds were for operating purposes. The interest received in the Perpetual Care Fund was transferred to the Cemetery Fund to be used for maintenance of the Township Cemetery.

**TOWNSHIP OF COLFAX
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2008
(CONTINUED)**

NOTE 6 – LONG-TERM DEBT:

A summary of changes in long-term debt is as follows:

	BALANCE APRIL 1, 2007	ADDITIONS (RETIREMENTS)	BALANCE MARCH 31, 2008	DUE WITHIN ONE YEAR
Bonds payable for the construction of a sewage treatment facility, payable in annual installments through 2008 in the amount of \$15,000. Interest is payable semi-annually at a rate of 5%.	\$ 30,000	\$ (15,000)	\$ 15,000	\$ 15,000
Various drain assessments payable, due in annual installments based on the number of annual assessments remaining on each drain.	151,108	(12,108)	139,000	15,545
	<u>\$ 181,108</u>	<u>\$ (27,108)</u>	<u>\$ 154,000</u>	<u>\$ 30,545</u>

Annual debt service requirements to maturity is as follows at March 31:

	PRINCIPAL	INTEREST	TOTAL
2009	\$ 30,545	\$ 375	\$ 30,920
2010	15,003	-	15,003
2011	14,366	-	14,366
2012	13,829	-	13,829
2013	12,370	-	12,370
2014 - 2018	46,985	-	46,985
2019 - 2021	20,902	-	20,902
	<u>\$ 154,000</u>	<u>\$ 375</u>	<u>\$ 154,375</u>

Interest expense for the year ended March 31, 2008 was \$1,125.

NOTE 7 – PENSION PLAN:

The Township participates in a defined contribution employee group pension plan through John Hancock Life Insurance Company. The plan covers all elected officials and full time cemetery employees. The Township contributes 6% of elected officials' compensation and 10% of full time cemetery employees' compensation to the plan. The amount withheld from elected officials' pay is 3% and the amount withheld from full time cemetery employees' pay is 6%. Participants also have the option to make voluntary before tax contributions ranging from 1% to 10%. Pension expense for the year ended March 31, 2008 amounted to \$7,358.

NOTE 8 – JOINT VENTURE:

Pursuant to an inter-local agreement dated September 7, 1990 between the Township and the City of Bad Axe and Verona Township, fire protection services are provided by the Bad Axe Area Fire Protection Association. At inception, the Township contributed \$87,997 for its equity interest in the equipment of the Association. This amount has been recorded as a capital asset of the Township. The Township makes annual operating contributions to the Association based on a formula included in the agreement. The equity interest is calculated based on the Township's total contributions as a percentage of all contributions received by the Association. Separate financial statements through 2007 for the joint venture are available from the Bad Axe Area Fire Protection Association. As of December 31, 2007 general fund equity amounted to \$323,330.

REQUIRED SUPPLEMENTARY INFORMATION

**TOWNSHIP OF COLFAX
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED MARCH 31, 2008**

	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE- FAVORABLE (UNFAVORABLE)</u>
REVENUES:				
Taxes:				
Current property taxes	\$ 160,000	\$ 160,000	\$ 189,894	\$ 29,894
Delinquent taxes	400	400	700	300
Trailer taxes	500	500	564	64
Collection fees	17,000	17,000	24,828	7,828
Total taxes	<u>177,900</u>	<u>177,900</u>	<u>215,986</u>	<u>38,086</u>
Licenses and permits:				
Site permits	<u>1,200</u>	<u>1,200</u>	<u>1,075</u>	<u>(125)</u>
Intergovernmental:				
State shared revenue:				
Sales tax	<u>141,000</u>	<u>137,000</u>	<u>140,242</u>	<u>3,242</u>
Interest	<u>9,000</u>	<u>9,000</u>	<u>29,924</u>	<u>20,924</u>
Miscellaneous:				
Other	<u>27,400</u>	<u>26,000</u>	<u>21,583</u>	<u>(4,417)</u>
TOTAL REVENUES	<u>356,500</u>	<u>351,100</u>	<u>408,810</u>	<u>57,710</u>
EXPENDITURES:				
Legislative:				
Trustee fees	<u>3,000</u>	<u>3,000</u>	<u>2,461</u>	<u>539</u>
General government:				
Supervisor salary	9,377	9,377	9,255	122
Deputy supervisor salary	347	347	-	347
Elections	1,500	2,600	1,059	1,541
Legal and professional	12,000	12,000	10,656	1,344
Assessor fees	13,200	13,200	13,150	50
Clerk salary	12,544	12,700	12,655	45
Deputy clerk salary	347	347	330	17
Board of review	900	900	432	468
Board of appeals	500	500	120	380
Treasurer salary	12,544	12,700	12,655	45
Deputy treasurer salary	347	347	330	17
Appointed officials	3,200	3,200	1,365	1,835
Payroll taxes	2,000	2,000	1,362	638
Pension	3,000	3,000	2,859	141
Officials' expenses	3,500	3,500	554	2,946
Office supplies	6,200	6,200	4,260	1,940
Insurance	18,000	18,000	15,587	2,413
Building maintenance	2,500	2,500	3,277	(777)

(Continued)

**TOWNSHIP OF COLFAX
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED MARCH 31, 2008
(CONTINUED)**

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE- FAVORABLE (UNFAVORABLE)
EXPENDITURES: (Continued)				
General government: (Continued)				
Dues and publications	3,400	3,400	1,841	1,559
Tax roll statements	4,200	4,200	3,598	602
Utilities	3,200	3,200	2,034	1,166
Telephone	2,000	2,000	1,732	268
Miscellaneous	1,500	1,500	-	1,500
Total general government	<u>116,306</u>	<u>117,718</u>	<u>99,111</u>	<u>18,607</u>
Public safety:				
Fire protection	79,000	79,000	78,722	278
Zoning administrator	6,186	6,186	6,068	118
Planning commission	2,500	2,500	2,155	345
Total public safety	<u>87,686</u>	<u>87,686</u>	<u>86,945</u>	<u>741</u>
Public works:				
Drain at large	7,000	16,100	16,087	13
Road maintenance	50,000	50,000	-	50,000
Brine	13,200	13,200	13,167	33
Street lights	3,300	3,300	2,887	413
Total public works	<u>73,500</u>	<u>82,600</u>	<u>32,141</u>	<u>50,459</u>
Health and welfare:				
Ambulance	4,900	4,900	-	4,900
Culture and recreation:				
Parks and recreation	400	400	188	212
Library	9,570	9,570	-	9,570
Total culture and recreation	<u>9,970</u>	<u>9,970</u>	<u>188</u>	<u>9,782</u>
Capital outlay	7,000	7,000	-	7,000
TOTAL EXPENDITURES	<u>302,362</u>	<u>312,874</u>	<u>220,846</u>	<u>92,028</u>
EXCESS OF REVENUES OVER EXPENDITURES	<u>54,138</u>	<u>38,226</u>	<u>187,964</u>	<u>149,738</u>
OTHER FINANCING SOURCES (USES):				
Operating transfers out	(272,000)	(272,000)	(272,000)	-
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES AND OTHER USES	<u>(217,862)</u>	<u>(233,774)</u>	<u>(84,036)</u>	<u>149,738</u>
FUND BALANCE - April 1, 2007	780,592	780,592	780,592	-
FUND BALANCE - March 31, 2008	<u>\$ 562,730</u>	<u>\$ 546,818</u>	<u>\$ 696,556</u>	<u>\$ 149,738</u>

**TOWNSHIP OF COLFAX
BUDGETARY COMPARISON SCHEDULE
CEMETERY FUND
FOR THE YEAR ENDED MARCH 31, 2008**

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE- FAVORABLE (UNFAVORABLE)
REVENUES:				
Grave openings	\$ 47,000	\$ 47,000	\$ 44,750	\$ (2,250)
Lot sales	15,000	28,000	29,294	1,294
Interest	300	300	608	308
Land lease	2,332	2,332	2,332	-
Other income	18,808	15,308	19,283	3,975
TOTAL REVENUES	<u>83,440</u>	<u>92,940</u>	<u>96,267</u>	<u>3,327</u>
EXPENDITURES:				
Salaries	55,548	55,548	53,282	2,266
Office expense	300	300	114	186
Payroll taxes	6,500	6,500	6,569	(69)
Pension benefits	5,000	5,000	4,498	502
Supplies	1,000	1,000	289	711
Gas and oil	3,800	3,800	3,203	597
Health insurance	28,000	30,000	30,995	(995)
Maintenance	3,200	3,200	3,666	(466)
Other insurance	500	500	-	500
Telephone	700	700	673	27
Utilities	2,100	2,100	1,343	757
Miscellaneous	400	400	300	100
Refunds	-	200	243	(43)
TOTAL EXPENDITURES	<u>107,048</u>	<u>109,248</u>	<u>105,175</u>	<u>4,073</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>(23,608)</u>	<u>(16,308)</u>	<u>(8,908)</u>	<u>7,400</u>
OTHER FINANCING SOURCES:				
Operating transfers in	24,500	24,500	27,966	3,466
EXCESS OF REVENUES AND OTHER SOURCES OVER EXPENDITURES	<u>892</u>	<u>8,192</u>	<u>19,058</u>	<u>10,866</u>
FUND BALANCE - April 1, 2007	22,747	22,747	22,747	-
FUND BALANCE - March 31, 2008	<u>\$ 23,639</u>	<u>\$ 30,939</u>	<u>\$ 41,805</u>	<u>\$ 10,866</u>

**TOWNSHIP OF COLFAX
BUDGETARY COMPARISON SCHEDULE
ROAD MAINTENANCE FUND
FOR THE YEAR ENDED MARCH 31, 2008**

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE- FAVORABLE (UNFAVORABLE)
REVENUES:				
Current property taxes	\$ 116,000	\$ 116,000	\$ 127,205	\$ 11,205
Interest	1,600	1,600	10,387	8,787
Other	3,000	3,000	3,455	455
TOTAL REVENUES	<u>120,600</u>	<u>120,600</u>	<u>141,047</u>	<u>20,447</u>
EXPENDITURES:				
Road maintenance and repairs	210,000	220,000	219,972	28
Refunds	-	-	8,853	(8,853)
TOTAL EXPENDITURES	<u>210,000</u>	<u>220,000</u>	<u>228,825</u>	<u>(8,825)</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>(89,400)</u>	<u>(99,400)</u>	<u>(87,778)</u>	<u>11,622</u>
OTHER FINANCING SOURCES				
Operating transfers in	250,000	250,000	250,000	-
EXCESS OF REVENUES AND OTHER SOURCES OVER EXPENDITURES	<u>160,600</u>	<u>150,600</u>	<u>162,222</u>	<u>11,622</u>
FUND BALANCE - April 1, 2007	252,035	252,035	252,035	-
FUND BALANCE - March 31, 2008	<u>\$ 412,635</u>	<u>\$ 402,635</u>	<u>\$ 414,257</u>	<u>\$ 11,622</u>

**TOWNSHIP OF COLFAX
BUDGETARY COMPARISON SCHEDULE
PERPETUAL CARE FUND
FOR THE YEAR ENDED MARCH 31, 2008**

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE- FAVORABLE (UNFAVORABLE)
REVENUES:				
Perpetual care fees	\$ 25	\$ 25	\$ 16	\$ (9)
Interest	3,700	3,700	6,966	3,266
TOTAL REVENUES	<u>3,725</u>	<u>3,725</u>	<u>6,982</u>	<u>3,257</u>
EXPENDITURES	-	-	-	-
EXCESS OF REVENUES OVER EXPENDITURES	<u>3,725</u>	<u>3,725</u>	<u>6,982</u>	<u>3,257</u>
OTHER FINANCING SOURCES (USES):				
Operating transfers out	(3,700)	(3,700)	(6,966)	(3,266)
EXCESS OF REVENUES OVER EXPENDITURES AND OTHER USES	<u>25</u>	<u>25</u>	<u>16</u>	<u>(9)</u>
FUND BALANCE - April 1, 2007	151,543	151,543	151,543	-
FUND BALANCE - March 31, 2008	<u>\$ 151,568</u>	<u>\$ 151,568</u>	<u>\$ 151,559</u>	<u>\$ (9)</u>

ADDITIONAL INFORMATION

**TOWNSHIP OF COLFAX
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
MARCH 31, 2008**

	LIQUOR CONTROL FUND	LAGOON FUND	TOTAL
<u>ASSETS</u>			
Cash and investments	\$ 859	\$ 104,686	\$ 105,545
Taxes receivable	-	756	756
TOTAL ASSETS	<u>\$ 859</u>	<u>\$ 105,442</u>	<u>\$ 106,301</u>
 <u>LIABILITIES AND FUND BALANCES</u>			
LIABILITIES:			
Accounts payable	\$ 9	\$ -	\$ 9
FUND BALANCE:			
Unreserved	850	105,442	106,292
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 859</u>	<u>\$ 105,442</u>	<u>\$ 106,301</u>

TOWNSHIP OF COLFAX
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED MARCH 31, 2008

	LIQUOR CONTROL FUND	LAGOON FUND	<u>TOTAL</u>
REVENUES:			
Interest	\$ 7	\$ 1,772	\$ 1,779
Assessments	-	34,250	34,250
Other	754	-	754
TOTAL REVENUES	<u>761</u>	<u>36,022</u>	<u>36,783</u>
EXPENDITURES			
Current:			
Public safety	1,547	-	1,547
Public works	-	8,776	8,776
Debt service	-	16,625	16,625
TOTAL EXPENDITURES	<u>1,547</u>	<u>25,401</u>	<u>26,948</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>(786)</u>	<u>10,621</u>	<u>9,835</u>
OTHER FINANCING SOURCES:			
Operating transfers in	1,000	-	1,000
EXCESS OF REVENUES AND OTHER SOURCES OVER EXPENDITURES	<u>214</u>	<u>10,621</u>	<u>10,835</u>
FUND BALANCE - April 1, 2007	636	94,821	95,457
FUND BALANCE - March 31, 2008	<u>\$ 850</u>	<u>\$ 105,442</u>	<u>\$ 106,292</u>

TOWNSHIP OF COLFAX
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL
NONMAJOR GOVERNMENTAL FUND - LIQUOR CONTROL FUND
FOR THE YEAR ENDED MARCH 31, 2008

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE- FAVORABLE (UNFAVORABLE)
REVENUES:				
Liquor license refund	\$ 600	\$ 600	\$ 754	\$ 154
Interest	10	10	7	(3)
TOTAL REVENUES	<u>610</u>	<u>610</u>	<u>761</u>	<u>151</u>
EXPENDITURES:				
Salaries	1,000	1,000	1,440	(440)
Payroll taxes	100	100	107	(7)
Miscellaneous	200	200	-	200
TOTAL EXPENDITURES	<u>1,300</u>	<u>1,300</u>	<u>1,547</u>	<u>(247)</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>(690)</u>	<u>(690)</u>	<u>(786)</u>	<u>(96)</u>
OTHER FINANCING SOURCES:				
Operating transfers in	1,000	1,000	1,000	-
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES	<u>310</u>	<u>310</u>	<u>214</u>	<u>(96)</u>
FUND BALANCE - April 1, 2007	636	636	636	-
FUND BALANCE - March 31, 2008	<u>\$ 946</u>	<u>\$ 946</u>	<u>\$ 850</u>	<u>\$ (96)</u>

TOWNSHIP OF COLFAX
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL
NONMAJOR GOVERNMENTAL FUND - LAGOON FUND
FOR THE YEAR ENDED MARCH 31, 2008

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE- FAVORABLE (UNFAVORABLE)
REVENUES:				
Assessments	\$ 34,125	\$ 33,750	\$ 34,250	\$ 500
Interest	400	400	1,772	1,372
Other	500	500	-	(500)
TOTAL REVENUES	<u>35,025</u>	<u>34,650</u>	<u>36,022</u>	<u>1,372</u>
EXPENDITURES:				
Outside labor	4,500	4,500	4,550	(50)
Maintenance	6,500	6,500	2,873	3,627
Utilities	1,600	1,600	953	647
Miscellaneous	200	200	400	(200)
TOTAL EXPENDITURES	<u>12,800</u>	<u>12,800</u>	<u>8,776</u>	<u>4,024</u>
EXCESS OF REVENUES OVER EXPENDITURES	<u>22,225</u>	<u>21,850</u>	<u>27,246</u>	<u>5,396</u>
OTHER FINANCING SOURCES (USES):				
Bond principal	(15,000)	(15,000)	(15,000)	-
Bond interest	(1,125)	(750)	(1,125)	(375)
Bond fees	(500)	(500)	(500)	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>(16,625)</u>	<u>(16,250)</u>	<u>(16,625)</u>	<u>(375)</u>
EXCESS OF REVENUES OVER EXPENDITURES AND OTHER USES	<u>5,600</u>	<u>5,600</u>	<u>10,621</u>	<u>5,021</u>
FUND BALANCE - April 1, 2007	94,821	94,821	94,821	-
FUND BALANCE - March 31, 2008	<u>\$ 100,421</u>	<u>\$ 100,421</u>	<u>\$ 105,442</u>	<u>\$ 5,021</u>

**TOWNSHIP OF COLFAX
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
CURRENT TAX COLLECTION FUND
FOR THE YEAR ENDED MARCH 31, 2008**

	BALANCE APRIL 1, <u>2007</u>	<u>ADDITIONS</u>	<u>DEDUCTIONS</u>	BALANCE MARCH 31, <u>2008</u>
<u>ASSETS</u>				
Cash	\$ 4,409	\$ 2,104,524	\$ 2,102,636	\$ 6,297
TOTAL ASSETS	<u>\$ 4,409</u>	<u>\$ 2,104,524</u>	<u>\$ 2,102,636</u>	<u>\$ 6,297</u>
<u>LIABILITIES</u>				
Due to Huron County	\$ -	\$ 838,907	\$ 838,907	\$ -
Due to Bad Axe District Library	-	40,168	40,168	-
Due to schools	-	816,139	816,139	-
Due to Northgate	-	22,511	22,511	-
Due to other funds	4,409	386,799	384,911	6,297
TOTAL LIABILITIES	<u>\$ 4,409</u>	<u>\$ 2,104,524</u>	<u>\$ 2,102,636</u>	<u>\$ 6,297</u>

TOWNSHIP OF COLFAX
SCHEDULE OF BONDED INDEBTEDNESS - ISSUE DATED MAY 1, 1998
MARCH 31, 2008

MATURITY DATE	PRINCIPAL AMOUNT PAYABLE AT EACH MATURITY DATE	INTEREST		TOTAL
		RATE	AMOUNT	
09/01/08	15,000	5.0%	375	15,375
TOTALS	<u>\$ 15,000</u>		<u>\$ 375</u>	<u>\$ 15,375</u>

BRINING & NARTKER, P.C.

Certified Public Accountants

DOUGLAS P. BRINING, CPA
JOSEPH H. NARTKER, CPA

MARK W. BRINING, CPA
SARA J. ESSENMACHER, CPA
JOY A. KERR, CPA
EDWARD J. MOORE, CPA

Members of
Michigan Association of
Certified Public Accountants
American Institute of
Certified Public Accountants

Township Board
Township of Colfax
Huron County, Michigan

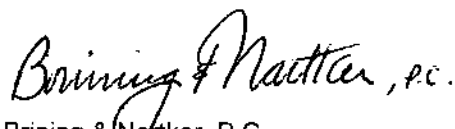
In planning and performing our audit of the financial statements of the Township of Colfax, Huron County, Michigan as of and for the year ended March 31, 2008, in accordance with auditing standards generally accepted in the United States of America, we considered Township of Colfax, Huron County, Michigan's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Township's internal control. Accordingly, we do not express an opinion on the effectiveness of the Township's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the organization's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the organization's financial statements that is more than inconsequential will not be prevented or detected by the organization's internal control. We consider the following deficiency to be a significant deficiency in internal control.

The Township officials have the ability to perform internal accounting functions and prepare bank reconciliations. Generally accepted accounting principles also requires that the Township prepare financial statements including the related notes to the financial statements. As is the case with many small governments, the Township has relied on its independent external auditors to assist in the preparation of the financial statements and notes thereto as part of its external financial reporting process. External auditors cannot, by definition, be considered part of the Township's internal controls over financial reporting. The Township has decided that it is more cost effective and in the best interest of the Township to outsource this task to its external auditors and to carefully review the financial statements and notes thereto prior to approving them and accepting responsibility for their content and presentation.

This communication is intended solely for the information and use of management, the Board, and others within the organization, and is not intended to be and should not be used by anyone other than these specified parties.



Brining & Nartker, P.C.
Certified Public Accountants

June 25, 2008